CA2ALID
AA2
SEPT. 1972
EPT. OF INDUSTRY & COMMERCE. PLANNING & INTELLIGENCE BRANCH
ALBERTA LEGISLATURE LIBRARY
3 3398 00485 2074

Alberta ECONOMIC OUTLOOK

SEPTEMBER, 1972

FEDERAL AFFAIRS

Dissolution of parliament, September 1, 1972, considerably affected the status of the controversial **Foreign Takeover Review Act** and the **Competition Act**, introduced into the House of Commons before the summer recess. The October federal election caused all bills on the order paper to be wiped out. Similar legislation, however, will likely be introduced in the House in future sittings, no matter which party constitutes the government.

Urban Affairs Minister, Ronald Basford, announced several changes in the National Housing Act to make it easier for many middle income families to obtain their own homes and stimulate the house building industry. Briefly, the proposed amendments are:

- the ceiling on N.H.A. mortgages for new houses will be increased from $25,000 to $30,000; and
- the share of a family's monthly income that can go toward paying the principal, interest and taxes will be raised from 27 to 30 per cent.

These amendments, while stimulating the demand for housing, could result in additional upward pressure on mortgage rates. This result could offset what beneficial influence these changes might have.

In a recent "Globe and Mail Report on Business", it is expected that **Canada's GNP will advance** by at least 6 per cent in real terms in 1972. This compares to increases of 5.5 per cent and 2.5 per cent in 1971 and 1970, respectively. This improvement is based on the likelihood of stronger foreign demand for Canadian goods, resulting in at least a 10 per cent increase in exports in 1972.

INTERNATIONAL AFFAIRS – DISC

The Revenue Act of 1971 provided for the creation of the Domestic International Sales Corporation **(DISC)** in the United States on January 1, 1972, as part of the overall program to curb inflation, create more jobs and stimulate greater efficiency in U.S. industry. This Act can be considered one of the most far-reaching aspects of the entire program announced on August 15, 1971.

Essentially, a DISC is limited to export related activities in connection with:

(a) the sale, lease, rental, storage, handling, transportation, packaging, assembly, or servicing of an export property;

(b) the performance of engineering or achitectural services outside the United States; or

(c) the performance of managerial services in furtherance of the production of export goods for a DISC.

Excluded are export goods for ultimate use in the U.S.; sale of products where another export subsidy program exists; any form of sales, leases or services to the U.S. Government; sale of goods from one DISC to another, where both are within the same group of companies; services connected with exploration for minerals; and receipts from the actual performance of construction.

The effect of the DISC program on the Canadian and Albertan economies is difficult to determine and will depend upon various factors:

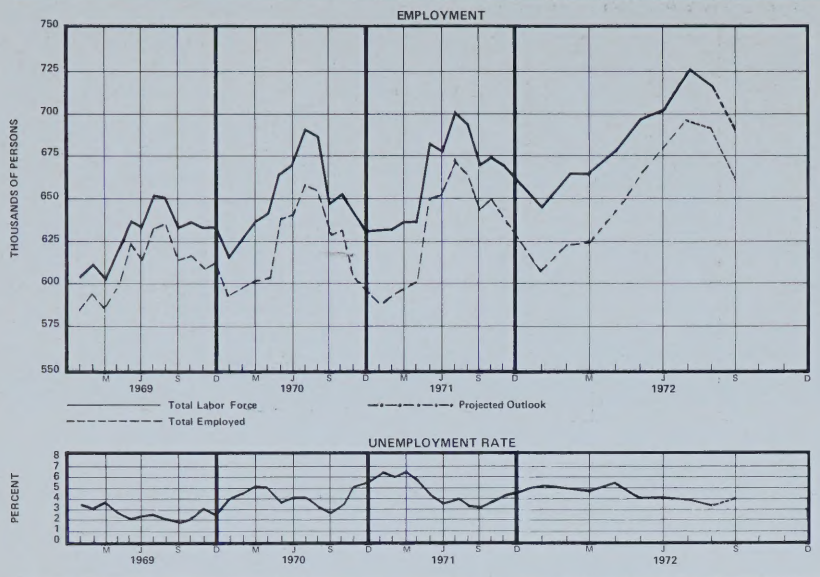
(a) In an article appearing in the "Canadian Tax Journal" earlier this year, Prof. B. W. Wilkinson estimated that the DISC program could result in a price reduction of between 2.12 per cent and 3.78 per cent, depending upon the useful life of the product and the discount rate used.

(b) Combined with the appreciation of the Canadian dollar since May, 1970, the total price reduction compared with pre-May, 1970, may be as much as 13 per cent. However, Professor Wilkinson estimated that this may be the maximum adverse effect on prices because of certain positive influences of the Canadian tax laws.

(c) The alternatives left open to DISC's could provide a wide range of possible effects depending upon how profits are reinvested, how much export sales grow and the permanency of the DISC program.

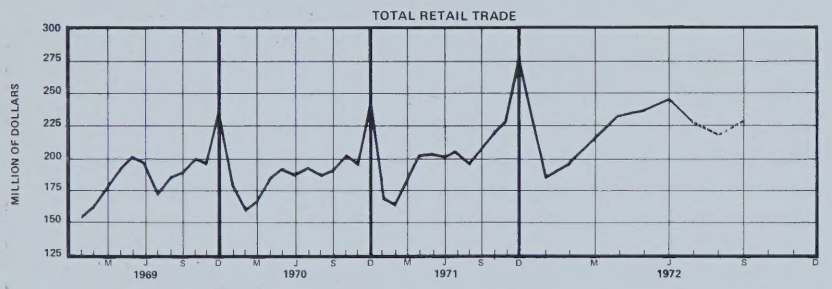
The Department of National Revenue recently announced a new system for gathering information about foreign companies employing reduction, deferral or exemp-

– continued on page 4



EMPLOYMENT

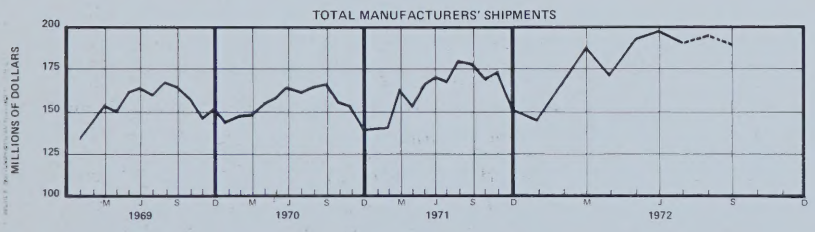
Declines in both employment and labour force totals for August were experienced resulting in an unemployment rate of 3.6 per cent, a labour force of 717,000 and total employed of 691,000. September's unemployment rate is expected to be close to 4 per cent, with estimates for the labour force and total employed to 690,000 and 662,000, respectively. For October, further seasonal declines in total labour force and total employed are expected resulting in a slight increase in the unemployment rate.



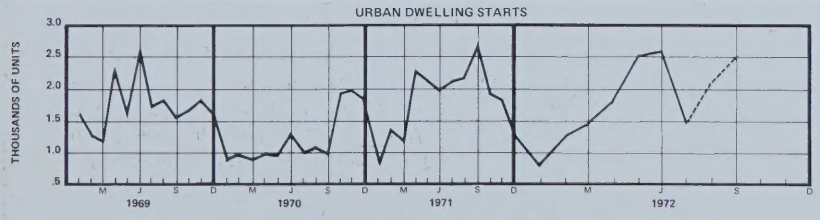
RETAIL TRADE

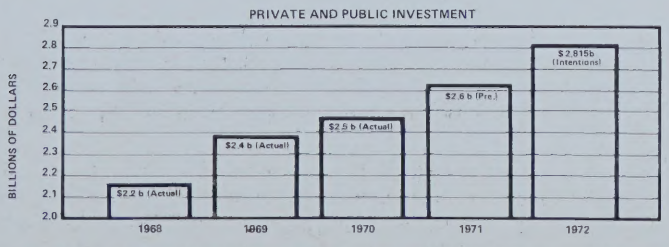
Total retail trade for the first seven months of 1972 reached $1,520 million, up by 15 per cent over the same period in 1971. July's total reached over $225 million, some 9.6 per cent above a year earlier. August and September totals are expected to reach nearly $219 million and $227 million, respectively. The outlook for October is for a further increase over September's total as the Christmas season draws near.

VALUE OF MANUFACTURERS' SHIPMENTS



Manufacturers' shipments for the first seven months of 1972 were valued at $1,250 million, up by 14 per cent, over the same period in 1971. A total of $191 million in shipments for July was 20 per cent above July 1971's figure. Total shipments for August are expected to reach close to $195 million followed by nearly $190 million in September. Preliminary estimates for October indicate the start of a seasonal decline for the winter months.

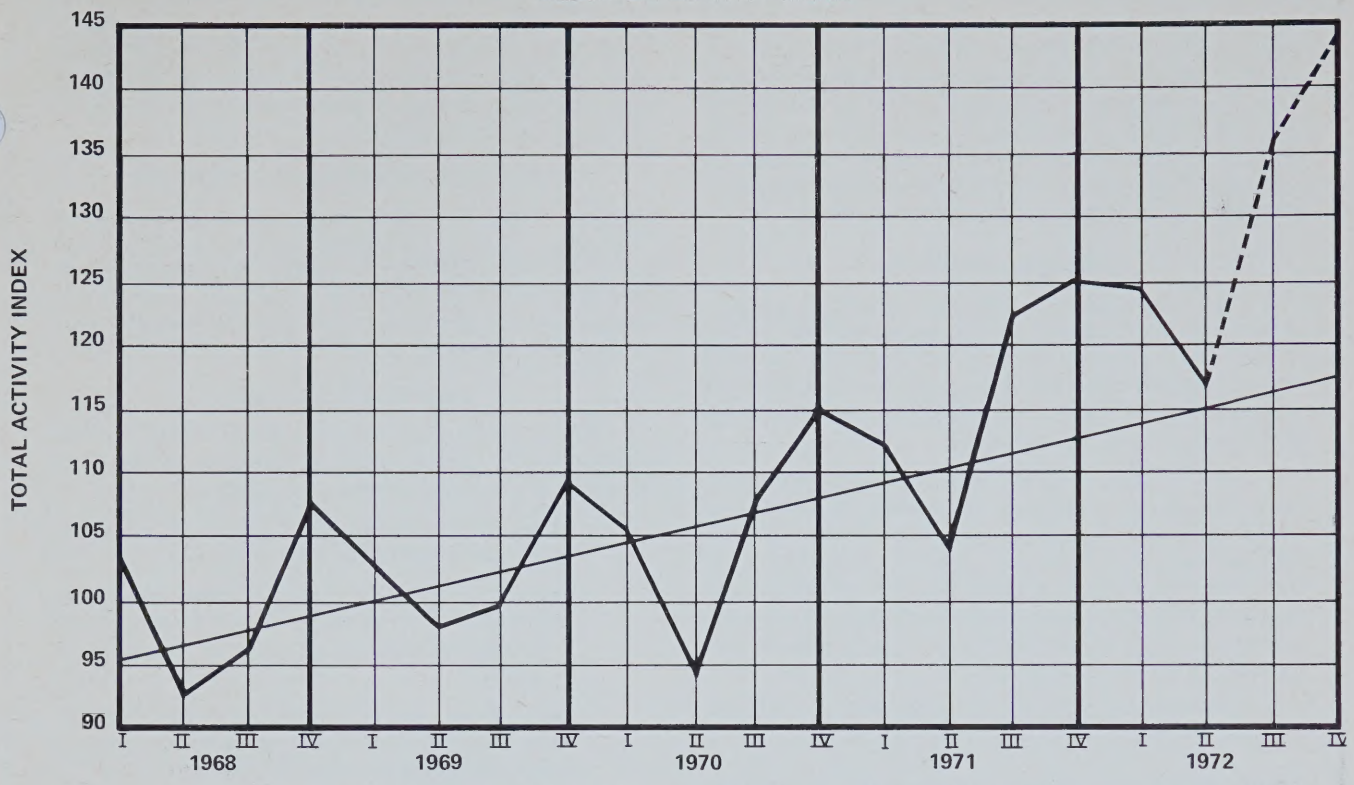




HOUSING AND INVESTMENT

Total dwelling starts for urban centres in Alberta in July totalled 1,484, a decrease of 28.6 per cent from July, 1971. A total of 11,623 dwelling starts for the first seven months of 1972 is 2.6 per cent below the 11,933 for the same period of 1971. Preliminary estimates for August and September indicate close to 2,100 and 2,500 unit starts, respectively. Overall capital and repair expenditures for Alberta in 1972 are forecast to reach $2.8 billion, an increase of 7 per cent from 1971's preliminary total.

ALBERTA'S ACTIVITY INDEX



PERTINENT ECONOMIC INDICATORS FOR THE PROVINCE OF ALBERTA

INDICATOR	Percentage Change in Volume Activity Total Year 1971 - 1970	 Year to Date 1972 - 1971
MANUFACTURING		
Slaughtered Meat Production	+13.6	+ 12.1 (Jan. – June)
Slaughtered Meat Exported	+12.6	+ 16.9 (Jan. – June)
Refinery Production	+10.7	+ 30.0 (Jan. – June)
Cement Production	+ 4.5	+ 13.2 (Jan. – June)
MINING		
Oil Production	+ 9.4	+ 19.7 (Jan. – June)
Gas Production	+10.1	+ 9.4 (Jan. – June)
Footage Drilled	+ 1.8	+ 18.5 (Jan. – June)
Number of Wells Drilled	+ 9.6	+ 36.1 (Jan. – June)
Coal Production	+31.7	+ 29.4 (Jan. – June)
CONSTRUCTION		
Urban Dwelling Starts	+54.0	- 2.6 (Jan. – July)
Rigid Insulation Board Shipments to Alberta	+15.6	+ 3.5 (Jan. – June)
Metal Shapes Shipments (Est'd)	- 4.0	+ 1.0 (Jan. – June)
AGRICULTURE		
Grain Shipments	+ 8.8	+ 7.3 (Jan. – June)
Livestock Marketed	+15.1	+ 2.6 (Jan. – June)
Farm Cash Receipts	+ 9.8	+ 20.3 (Jan. – June)
FORESTRY		
Lumber Production	+ 6.1	+ 3.5 (Jan. – June)
Lumber Sales	+34.7	+ 4.4 (Jan. – June)
Lumber Exports	+26.5	+ 15.0 (Jan. – June)
Pulpwood Production	- 34.9	+450.0 (Jan. – June)

	JULY 1972	AUGUST 1972	JULY 1971	AUGUST 1971
UNEMPLOYMENT RATE (Unadjusted)				
Canada	5.8	5.4	5.7	5.1
Alberta	3.9	3.6	4.0	3.3
CONSUMER PRICE INDEX (1961 = 100)				
Calgary-Edmonton	133.1	133.6	128.2	128.8

tion programs for exporters. Under the new regulations, foreign exporters will be required to declare this information on all shipments to Canada valued at $100,000 or more. The information obtained will be used to determine the effect of such tax programs on exports to Canada. As well, the Department of National Revenue will be able to determine which U.S. firms are employing DISC's.

CONSUMER SPENDING

Continuing strength in consumer demand for goods in Alberta will be reflected in an increase of nearly 8 per cent in September's **retail trade** over last September, to $227 million. Canada's total ran at close to 16 per cent above the first half of 1971 and on balance should total about 15 per cent above last year's expenditures.

The "Summer Outlook" report prepared by Agriculture Canada has introduced an **outlook for retail food prices** in Canada. Essentially, retail food prices in Canada are expected to rise much less rapidly in the latter half of 1972 due to anticipated stability in prices of livestock and livestock products, adequate supplies of processed fruit and vegetables, and little price variation in tropical imports such as sugar, coffee, tea and bananas.

Consumers are expected to spend about six to seven per cent more on food in 1972 over expenditures in 1971.

CONSUMER PRICE INDEX – EDMONTON – CALGARY

August's consumer price index for the two Alberta cities was recorded at 133.6, up from July's 133.1. Slight increases in the Food, Housing, Clothing, Health and Personal Care and Recreation and Reading components of the Index were noted along with a slight decline in the Transportation component. There was no change recorded in the Tobacco and Alcohol component.

A comparison of the general Index with August, 1971 indicates a 3.7 per cent increase in prices over the year. The largest gain was recorded in food prices which are up by nearly 6.6 per cent. Increases in the remaining components ranged between less than one per cent for the Tobacco and Alcohol component to 3.7 per cent for Housing facilities.

ACTIVITY INDEX – ALBERTA

Performance in the Alberta economy to the end of the first half of 1972 indicates **continued expansion** in the economy through the second half. The Index is expected to reach 136.4 for the third quarter, and 11 per cent increase over the same period in 1971. Prospects for the fourth quarter indicate a level of 144.0, some 14 per cent above the fourth quarter of 1971.

INVESTMENT INTENTIONS – ALBERTA

The latest investment survey conducted jointly by Statistics Canada and the Department of Industry, Trade and Commerce indicates an upward revision of original intentions of $2,715.9 million to $2,815.0 million. The revised figure is nearly 4 per cent above the original intentions and 7 per cent above 1971's total of $2,633.7 million.

BUSINESS OUTLOOK

Results from "The Financial Post's" latest business outlook survey indicate steady expansion in the Canadian economy in the next six months. In particular:

- **Consumer spending** will continue to be a key factor in the expansion to the end of 1972;
- upward revision of previous **capital investment intentions** are expected with over 50 per cent of respondents planning increases in the next six months;
- over 80 per cent and 70 per cent, respectively, of the executives surveyed anticipate increases in **sales and profits** to the end of 1972;
- **wage rate increases** are anticipated by over 90 per cent of respondents. Expansion in employment is expected by 33 per cent and "no change" by over 50 per cent;
- increases in **prices** of raw materials and intermediate goods are forecast by nearly 80 per cent of executives surveyed;
- in spite of the optimism for sales, profits and capital spending, concern was expressed over the high level of the **Canadian dollar**, the uncertain impact of the **U.S. DISC program**, the fear over a resurgance of **inflation**, and the high level of **unemployment** in Canada.

Another survey of business opinion conducted by the **Financial Times of Canada** indicates that 80 per cent of Alberta businessmen responding to the survey considered inflation as a serious problem to face in the next six months to a year.

Planning & Intelligence Branch
Department of Industry & Commerce
1629 Centennial Building
Edmonton, Alberta
T5J 0H4

Printed by the QUEEN'S PRINTER for the Province of Alberta, Edmonton

Digitized by the Internet Archive
in 2025 with funding from
Legislative Assembly of Alberta - Alberta Legislature Library